



**PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS**

Matthew G. Bevin
Governor

1025 Capital Center Drive, Suite 200
Frankfort, KY 40601
Phone: (502) 573-3390
Fax: (502) 573-8787
<http://kfi.ky.gov>

David A. Dickerson
Secretary

Charles A. Vice
Commissioner

Parity Letter 2017-2

The Commissioner of the Department of Financial Institutions ("Department") issues this Finding of Permissible Activity pursuant to Kentucky Revised Statute ("KRS") 286.1-020(3). This shall serve to update the previous Parity Letter, 92-2, which provided guidance regarding accounting for other real estate owned ("OREO"). Statutory requirements for holding OREO are enumerated in KRS 286.3-100(3), and national bank requirements are detailed in 12 U.S. Code § 29 and 12 CFR Part 34.

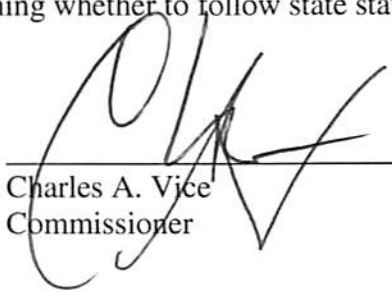
To eliminate potential competitive disadvantages arising from differences in state and federal statutes, a state-chartered bank may choose to follow OREO standards established for national banks. Therefore, a state-chartered bank may choose to account for OREO as if it were a national bank. To implement such an election, a state-chartered bank shall:

- (1) Pass a formal resolution by its board of directors adopting the OREO guidelines set forth in 12 U.S. Code § 29 and 12 CFR Part 34 (or KRS 286.3-100(3) if reverting back to state statutes);
- (2) Amend the appropriate policies and procedures to conform to the elected OREO guidelines; and
- (3) Notify the Department and the bank's primary federal regulator within 30 days that the bank has made such election.

Any state-chartered bank electing the national bank rules shall apply the standards to the entire OREO portfolio at the time of election, in addition to any new parcels subsequently acquired. A state-chartered bank that has elected the national guidelines for OREO may, through petition to the Commissioner, request to revert back to state guidelines. Should the Commissioner approve the reversion back to state guidelines, the bank shall follow the same three procedures as detailed above for electing national bank OREO guidelines.

A bank should consult with legal counsel for determining whether to follow state statutes or to adopt national bank OREO guidelines.

Effective Date: May 1, 2017



Charles A. Vice
Commissioner